

107TH CONGRESS
2D SESSION

S. 2706

To improve economic opportunity and development in communities that are dependent on tobacco production, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 28, 2002

Mr. CLELAND introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

A BILL

To improve economic opportunity and development in communities that are dependent on tobacco production, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Aid to Tobacco-Dependent Communities Act of 2002”.

6 (b) TABLE OF CONTENTS.—The table of contents of
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—TOBACCO PRODUCTION ADJUSTMENT

Subtitle A—Production Poundage Permits for Flue-Cured and Burley
Tobacco

Sec. 101. Production poundage permits for Flue-cured and Burley tobacco.

Subtitle B—Tobacco Equity Reduction Program

Sec. 111. Tobacco equity reduction program.

Sec. 112. Funding.

Subtitle C—Termination of Marketing Quotas for Flue-Cured and Burley Tobacco

Sec. 121. Definition of covered tobacco.

Sec. 122. National marketing quota.

Sec. 123. Apportionment of national marketing quota.

Sec. 124. Burley tobacco acreage allotments.

Sec. 125. Lease and transfer of acreage allotments.

Sec. 126. Mandatory sale of Flue-cured tobacco acreage allotments and marketing quotas.

Sec. 127. Mandatory sale of Burley tobacco acreage allotments and marketing quotas.

Sec. 128. Acreage—poundage quotas.

Sec. 129. Farm poundage quotas for certain kinds of tobacco.

Subtitle D—Administration

Sec. 141. Purchase intentions by cigarette manufacturers.

Sec. 142. Purchase requirements and penalties.

Sec. 143. Tobacco production and marketing information.

Sec. 144. Publication of quotas.

Sec. 145. General adjustment of quotas.

Sec. 146. Eminent domain.

Sec. 147. Reconstitution of farms.

Sec. 148. Voluntary relinquishment of allotments.

Sec. 149. Prohibition on promotion of manufactured tobacco products.

TITLE II—TOBACCO PRICE SUPPORT

Sec. 201. Loans, payments, and acreage reduction programs.

Sec. 202. No net cost tobacco fund contributions and assessments.

Sec. 203. Marketing assessments.

Sec. 204. Definitions.

TITLE III—TOBACCO STANDARDS AND INSPECTIONS

Sec. 301. Tobacco standards.

Sec. 302. Tobacco inspections.

TITLE IV—ASSISTANCE TO TOBACCO-DEPENDENT COMMUNITIES

Sec. 401. Center for Tobacco-Dependent Communities.

Sec. 402. Tobacco Grower Advisory Board.

Sec. 403. Interagency Task Force on Economic Development.

Sec. 404. Report on marketing incentives.

Sec. 405. Report on stabilization of tobacco production opportunities.

Sec. 406. Report on taxation impact.

TITLE V—ADMINISTRATION

Sec. 501. Marketing years.

1 TITLE I—TOBACCO PRODUCTION
2 ADJUSTMENT

3 Subtitle A—Production Poundage
4 Permits for Flue-Cured and
5 Burley Tobacco

6 SEC. 101. PRODUCTION POUNDAGE PERMITS FOR FLUE-
7 CURED AND BURLEY TOBACCO.

8 Title III of the Agricultural Adjustment Act of 1938
9 is amended by inserting after subtitle D (7 U.S.C. 1379a
10 et seq.) the following:

11 “Subtitle E—Production Poundage
12 Permits for Flue-Cured and
13 Burley Tobacco

14 “SEC. 380a. DEFINITIONS.

15 “In this subtitle:

16 “(1) ACTIVE GROWER.—

17 “(A) IN GENERAL.—The term ‘active
18 grower’ means a person that (as determined by
19 a county committee)—

20 “(i) is at risk for a crop;

21 “(ii) provides a significant contribu-
22 tion of capital, land, or equipment (within
23 the meaning of sections 1001 and 1001A
24 of the Food Security Act of 1985 (7

1 U.S.C. 1308, 1308–1), alone or in com-
2 bination with other persons;

3 “(iii) provides personal labor or active
4 personal management (within the meaning
5 of those sections), alone or in combination
6 with other persons; and

7 “(iv) shared in the risk of producing
8 tobacco during—

9 “(I) the 2001 crop year; and

10 “(II) any of the 1998, 1999, or
11 2000 crop years.

12 “(B) PROOF.—For purposes of subpara-
13 graph (A), a determination of whether a grower
14 is an active grower shall be based on (as appli-
15 cable, as determined by the county com-
16 mittee)—

17 “(i) invoices (including evidence of
18 such payments as bank statements and
19 canceled checks) for labor, pesticides, other
20 chemicals, fertilizer, equipment, fuel, re-
21 pairs, and tobacco sales bills;

22 “(ii) documentation relating to oper-
23 ating loans or other sources of operating
24 capital and related management decisions;
25 or

1 “(iii) other proof acceptable to the
 2 county committee that the grower is at
 3 risk for the crop.

4 “(2) BASE QUOTA LEVEL.—The term ‘base
 5 quota level’ means the average quantity of basic
 6 marketing quota for Flue-cured or Burley tobacco
 7 established for a farm for the 1997 through 1999
 8 marketing years.

9 “(3) NEW ACTIVE GROWER.—

10 “(A) IN GENERAL.—The term ‘new active
 11 grower’ means an individual that—

12 “(i) has certified to the Secretary the
 13 intention of the grower to become an active
 14 grower (without regard to paragraph
 15 (1)(A)(iv)); and

16 “(ii) has not had an interest in the
 17 production of tobacco during the imme-
 18 diately preceding 5 years.

19 “(B) EXCLUSION.—The term ‘new active
 20 grower’ does not include an active grower that
 21 has forfeited or transferred a production pound-
 22 age permit under section 380e or 380d(b), re-
 23 spectively.

24 “(4) PROCLAMATION DATE.—The term ‘procla-
 25 mation date’ means—

1 “(A) in the case of Flue-cured tobacco, De-
 2 cember 15 of the calendar year preceding the
 3 marketing year for any of the 2004 and subse-
 4 quent crops; and

5 “(B) in the case of Burley tobacco, Feb-
 6 ruary 1 of the calendar year preceding the mar-
 7 keting year for any of the 2002 and subsequent
 8 crops.

9 “(5) QUOTA.—The term ‘quota’ means a farm
 10 marketing quota for tobacco established under part
 11 I of subtitle B for the marketing year for any of the
 12 2002 or previous crops.

13 “(6) QUOTA OWNER.—The term ‘quota owner’
 14 means the owner of a farm (as of January 1, 2002)
 15 for which a quota was established for the 2002 crop
 16 year.

17 **“SEC. 380b. NATIONAL PRODUCTION POUNDAGE PERMITS.**

18 “(a) PROCLAMATION.—

19 “(1) IN GENERAL.—Subject to subsection (d),
 20 not later than the proclamation date for a marketing
 21 year for any of the 2004 and subsequent crops, the
 22 Secretary shall proclaim a production poundage per-
 23 mit for Flue-cured and Burley tobacco for each of
 24 the next 3 succeeding marketing years if the Sec-

1 retary determines, with respect to the kind of to-
 2 bacco, that—

3 “(A) a production poundage permit has
 4 not previously been proclaimed for the kind of
 5 tobacco as of the beginning of the marketing
 6 year;

7 “(B) the marketing year is the last year of
 8 3 consecutive years for which production pound-
 9 age permits or marketing quotas previously pro-
 10 claimed will be in effect; or

11 “(C) amendments have been made in pro-
 12 visions establishing farm acreage allotments
 13 that will cause material revision of the allot-
 14 ments before the end of the period for which
 15 permits or quotas are in effect.

16 “(2) PRODUCTION POUNDAGE PERMITS FOR
 17 SECOND AND THIRD MARKETING YEARS.—The Sec-
 18 retary shall determine and announce the production
 19 poundage permits for the second and third mar-
 20 keting years of any 3-year period for which produc-
 21 tion poundage permits are in effect with respect to
 22 Flue-cured and Burley tobacco on or before the
 23 proclamation date immediately preceding the begin-
 24 ning of the marketing year to which the permits
 25 apply.

1 “(3) NOTICE.—The Secretary shall provide no-
2 tice of the production poundage permits that will be
3 in effect for the first marketing year covered by the
4 referendum, to the maximum extent practicable, by
5 mailing a notice to each active grower prior to the
6 holding of any referendum.

7 “(b) QUANTITY.—

8 “(1) IN GENERAL.—As part of any national
9 production poundage permit for Flue-cured or Bur-
10 ley proclaimed for a marketing year under sub-
11 section (a), the Secretary shall determine and an-
12 nounce the quantity of the kind of tobacco that may
13 be produced or marketed under the production
14 poundage permit.

15 “(2) LEVEL.—Subject to paragraphs (3)
16 through (6), the quantity of a national production
17 poundage permit for Flue-cured or Burley pro-
18 claimed for a marketing year under subsection (a)
19 shall equal the quantity of the kind of tobacco pro-
20 duced in the United States that the Secretary esti-
21 mates will be used during the marketing year in the
22 United States and will be exported during the mar-
23 keting year, as adjusted by the Secretary for the
24 purpose of maintaining an adequate supply or for ef-

fecting an orderly reduction of supplies to the reserve supply level.

“(3) RESERVE.—

“(A) IN GENERAL.—For each marketing year for which production poundage permits are in effect under this section, the Secretary shall establish a reserve from the national production poundage permit in a quantity equivalent to 3 percent of the national production poundage permit to be available for—

“(i) making corrections and adjusting inequities in active grower production poundage permits; and

“(ii) allotting production poundage permits to new active growers.

“(B) NEW ACTIVE GROWERS.—The Secretary shall use not less than $\frac{2}{3}$ of the reserve for new active growers.

“(4) LIMITATIONS.—For the marketing year for each of the 2004 and subsequent crops of Flue-cured tobacco and Burley tobacco, the quantity of the national production poundage permit for the kind of tobacco for a marketing year shall be equal to the quantity of the kind of tobacco, as determined

1 by the Secretary, that is not more than 103 percent
2 nor less than 97 percent of the total of—

3 “(A) the aggregate of the quantities of the
4 kind of tobacco that domestic manufacturers of
5 cigarettes estimate the manufacturers intend to
6 purchase on the United States auction markets
7 or from active growers during the marketing
8 year, as compiled and determined under section
9 320A;

10 “(B) the average annual quantity of the
11 kind of tobacco exported from the United
12 States during the 3 marketing years imme-
13 diately preceding the marketing year for which
14 the determination is being made; and

15 “(C) the quantity, if any, of kind of to-
16 bacco that the Secretary determines is nec-
17 essary to increase or decrease the inventory of
18 the grower-owned cooperative marketing asso-
19 ciation that has entered into a loan agreement
20 with the Commodity Credit Corporation to
21 make price support available to producers of
22 the kind of tobacco to establish or maintain the
23 inventory at the reserve stock level for the kind
24 of tobacco.

1 “(5) INCREASE.—Not later than the following
 2 March 1, the Secretary may increase the quantity of
 3 the production poundage permit announced under
 4 paragraph (1) by not more than 20 percent if the
 5 Secretary determines that the increase is necessary
 6 in order to meet market demands or to avoid undue
 7 restrictions of marketings in adjusting the total sup-
 8 ply to the reserve supply level.

9 “(c) REFERENDUM.—

10 “(1) IN GENERAL.—Not later than 30 days
 11 after the proclamation of production poundage per-
 12 mits under subsection (a), the Secretary shall con-
 13 duct a referendum among active growers of Flue-
 14 cured and Burley tobacco to determine whether the
 15 active growers of such kind of tobacco are in favor
 16 of or opposed to the permits for the next 3 suc-
 17 ceeding marketing years.

18 “(2) DISAPPROVAL.—

19 “(A) IN GENERAL.—Except as provided in
 20 subparagraph (B), if more than $\frac{1}{3}$ of the active
 21 growers voting in the referendum oppose the
 22 production poundage permits—

23 “(i) the Secretary shall proclaim the
 24 results; and

1 “(ii) the proclaimed production
2 poundage permits shall not be in effect.

3 “(B) SUBSEQUENT PROCLAMATIONS AND
4 REFERENDA.—The disapproval of production
5 poundage permits in a referendum conducted
6 under this subsection shall not affect or limit
7 the subsequent proclamation and submission to
8 a referendum of a production poundage permit
9 in accordance with this section.

10 “(d) PERMITS OR QUOTAS DISAPPROVED IN SUCCES-
11 SIVE REFERENDA.—

12 “(1) IN GENERAL.—Except as provided in para-
13 graph (2), if active growers of a kind of tobacco
14 have disapproved production poundage permits in
15 referenda held in 3 successive years under sub-
16 section (c), the Secretary shall not proclaim a pro-
17 duction poundage permit for any marketing year
18 within the 3-year period for which production pound-
19 age permits previously proclaimed were disapproved
20 by active growers in a referendum.

21 “(2) PETITION.—Paragraph (1) shall not apply
22 if, prior to November 10 of the calendar year pre-
23 ceding the marketing year, at least 25 percent of the
24 farmers engaged in the production of the crop of to-
25 bacco harvested in the calendar year in which the

1 marketing year begins petition the Secretary, in ac-
 2 cordance with such regulations as the Secretary may
 3 promulgate, to proclaim a production poundage per-
 4 mit for each of the next 3 succeeding marketing
 5 years.

6 **“SEC. 380c. PRODUCTION POUNDAGE PERMITS FOR INDI-**
 7 **VIDUAL ACTIVE GROWERS.**

8 “(a) FIRST MARKETING YEAR.—For the first mar-
 9 keting year for which production poundage permits are in
 10 effect for Flue-cured or Burley tobacco under section
 11 380b, the Secretary shall allocate the national production
 12 poundage permit for the marketing year (less the national
 13 reserve) among active growers of the kind of tobacco, on
 14 a pro rata basis that reflects the quantity of the kind of
 15 tobacco active growers were eligible to market during the
 16 marketing year for the 2002 crop of the kind of tobacco
 17 under an allotment or quota established under part I of
 18 subtitle B.

19 “(b) SUCCEEDING MARKETING YEARS.—

20 “(1) IN GENERAL.—For each marketing year
 21 after the first marketing year for which production
 22 poundage permits are in effect for Flue-cured or
 23 Burley tobacco under section 380b, the quantity of
 24 a production poundage permit of an active grower

1 for the marketing year shall be the product obtained
2 by multiplying—

3 “(A) the quantity of the kind of tobacco al-
4 lowed to be produced by the active grower
5 under the most recent marketing year produc-
6 tion poundage permit issued to the active grow-
7 er; by

8 “(B) a national factor obtained by
9 dividing—

10 “(i) the national production poundage
11 permit determined under section 380b for
12 the kind of tobacco (less the national re-
13 serve); by

14 “(ii) the sum of production poundage
15 permits for the kind of tobacco for the
16 most recent year for all active growers for
17 which production poundage permits will be
18 determined for the applicable marketing
19 year.

20 “(2) EXCESS MARKETINGS.—

21 “(A) IN GENERAL.—The quantity of a pro-
22 duction poundage permit allotted to an active
23 grower for a marketing year under this sub-
24 section shall be reduced by the number of
25 pounds by which marketing for the active grow-

1 er during the immediately preceding year ex-
2 ceeded the production poundage permit of the
3 active grower (after adjustments).

4 “(B) SUBSEQUENT MARKETING YEARS.—If
5 as a result of excess marketings in the most re-
6 cent year the quantity of the kind of tobacco al-
7 lowed to be produced by an active grower under
8 a production poundage permit for the mar-
9 keting year is reduced to 0 pounds without
10 achieving the entire reduction required, the ad-
11 ditional reduction required shall be made in
12 subsequent marketing years.

13 “(3) NEW ACTIVE GROWERS.—

14 “(A) IN GENERAL.—Subject to subpara-
15 graphs (B) and (C), the quantity of a produc-
16 tion poundage permit for a new active grower
17 applicant under this subsection shall be the
18 number of pounds determined by the county
19 committee, with approval of the State com-
20 mittee, to be fair and reasonable for the grower
21 on the basis of—

22 “(i) the past experience of the grower
23 with respect to the kind of tobacco in-
24 volved;

1 “(ii) the land, labor, and equipment
2 available for the production of the kind of
3 tobacco, excluding any income requirement;

4 “(iii) crop rotation practices; and

5 “(iv) the soil and other physical fac-
6 tors affecting the production of the to-
7 bacco.

8 “(B) MINIMUM QUANTITY.—The initial
9 permit for any new active grower under this
10 paragraph shall not be less than—

11 “(i) 8,000 pounds of Flue-cured to-
12 bacco; or

13 “(ii) 4,000 pounds of Burley tobacco.

14 “(C) NATIONAL RESERVE.—The number
15 of pounds allocated to all new active growers
16 under this paragraph shall not exceed that por-
17 tion of the national reserve that is provided by
18 the Secretary for establishing production
19 poundage permits for new active growers.

20 **“SEC. 380d. SALE, LEASE, OR TRANSFER OF PERMITS.**

21 “(a) IN GENERAL.—Except as provided in subsection
22 (b), no permit issued under this subtitle may be sold,
23 leased, rented (including share or case rentals), or trans-
24 ferred to any other person.

1 “(b) DISCONTINUATION OF PRODUCTION OF TO-
2 BACCO.—

3 “(1) INDIVIDUALS.—In the case of an active
4 grower who dies or who determines not to continue
5 producing Flue-cured or Burley tobacco—

6 “(A) the permit of the active grower may
7 be transferred to the spouse, surviving spouse,
8 or direct legal descendants (as appropriate) of
9 the active grower, in the same proportion as the
10 active grower held the interest; and

11 “(B) the spouse or descendants shall re-
12 ceive all rights and be subject to all obligations
13 as the original active grower.

14 “(2) PARTNERSHIPS.—In the case of a partner-
15 ship that includes an active grower described in
16 paragraph (1)—

17 “(A) the spouse, surviving spouse, or direct
18 descendants (as appropriate) of an active grow-
19 er may receive a permit in the same proportion
20 as an active grower who dies or who determines
21 not to continue producing Flue-cured or Burley
22 tobacco held the interest; and

23 “(B) any portion of the permit attributable
24 to the active grower that has no spouse, sur-
25 viving spouse, or direct descendant shall be for-

1 feited and made available for reallocation under
2 section 380e(d).

3 “(3) CORPORATIONS.—

4 “(A) IN GENERAL.—In the case of a cor-
5 poration, any permit shall continue to be in ef-
6 fect for such period as the corporation con-
7 tinues to function as an active grower.

8 “(B) TRANSFERS.—

9 “(i) IN GENERAL.—Except as pro-
10 vided in clause (ii), no permit held by a
11 corporation may be transferred to any indi-
12 vidual or other entity, including—

13 “(I) any individual or entity that
14 purchases the corporation; or

15 “(II) the successor or assign of a
16 corporation.

17 “(ii) FAMILY MEMBERS.—Any spouse,
18 surviving spouse, or direct descendant of a
19 stockholder of the corporation may receive
20 such a permit in the same proportion as is
21 attributable to the stockholder when the
22 stockholder sells or otherwise transfers to
23 any such spouse or descendant the stock-
24 holder’s ownership interest in the corpora-
25 tion.

1 “(C) REALLOCATION.—Except as provided
 2 in subparagraph (B)(ii), if the corporation
 3 ceases to function as an active grower, any per-
 4 mit of the corporation shall be reallocated in ac-
 5 cordance with section 380e(d).

6 **“SEC. 380e. REDUCTIONS OR FORFEITURES.**

7 “(a) DEFINITION OF FULLY USED.—In this section,
 8 the term ‘fully used’ means that at least 75 percent of
 9 the quantity of Flue-cured or Burley tobacco eligible to
 10 be marketed under a production poundage permit is pro-
 11 duced by an active grower and marketed or considered by
 12 the county committee to be marketed, with no credit pro-
 13 vided in any future year for the failure to market the
 14 quantity specified in the permit within any crop year, un-
 15 less the failure was due to damaging weather or related
 16 condition (as determined by the Secretary).

17 “(b) PERMITS THAT ARE NOT FULLY USED.—Any
 18 permit that is not fully used under this section shall be
 19 subject to permanent reduction or forfeiture.

20 “(c) COUNTY COMMITTEES.—

21 “(1) IN GENERAL.—The relevant county com-
 22 mittee shall make determinations regarding reduc-
 23 tions or forfeitures under subsection (b) according to
 24 criteria established by the Secretary.

1 “(2) CRITERIA.—The criteria shall include con-
 2 sideration of whether conditions beyond the control
 3 of the active grower that prevented the permit from
 4 being fully used.

5 “(d) REALLOCATION.—Any permit that is reduced or
 6 forfeited may be reallocated by the Secretary to other ac-
 7 tive growers in the same county.

8 **“SEC. 380f. AUCTION WAREHOUSES.**

9 “(a) IN GENERAL.—The Secretary shall require that
 10 any active grower with a production poundage permit
 11 under this subtitle greater than zero shall indicate on such
 12 form as the Secretary shall require—

13 “(1) the number of pounds of Flue-cured and
 14 Burley tobacco the grower intends to market by auc-
 15 tion at 1 or more warehouses designated by the ac-
 16 tive grower; and

17 “(2) the number of pounds of Flue-cured and
 18 Burley tobacco the producer intends to market by
 19 non-auction.

20 “(b) PRICE SUPPORT.—Any active grower that fails
 21 to file a warehouse designation under this section shall
 22 not be eligible to receive price support under the Agricul-
 23 tural Act of 1949 (7 U.S.C. 1421 et seq.) for the tobacco
 24 marketed under the production poundage permit of the
 25 grower.

1 **“SEC. 380g. REDUCTION OF PRODUCTION POUNDAGE PER-**
2 **MITTS.**

3 “(a) IN GENERAL.—Subject to subsection (b), when
4 a production poundage permit is in effect for Flue-cured
5 or Burley tobacco under this subtitle, the production
6 poundage permit of an active grower next established for
7 the grower shall be reduced by the quantity of the tobacco
8 produced by the grower—

9 “(1) that is marketed as having been produced
10 under a different permit;

11 “(2) for which proof of disposition is not fur-
12 nished as required by the Secretary;

13 “(3) as to which any grower files, or aids or ac-
14 quiesces in the filing of, any false report with re-
15 spect to the production or marketings of tobacco;
16 and

17 “(4) as to which any grower participated in any
18 scheme or device to circumvent any requirement of
19 the program.

20 “(b) LACK OF CAUSALITY.—If the Secretary, acting
21 through the local county committee, finds that neither the
22 grower, nor any person under the control or supervision
23 of the grower, caused, aided, or acquiesced in any action
24 described in subsection (a), the next established produc-
25 tion poundage permit shall not be reduced under this sub-
26 section.

1 “(c) MULTIPLE TOBACCO CROPS.—If in any calendar
 2 year more than 1 crop of tobacco is grown from the same
 3 tobacco plants, or different tobacco plants, and is har-
 4 vested for marketing from the same acreage of a farm
 5 under this subtitle, the Secretary shall reduce the subse-
 6 quent production poundage permit for the active grower
 7 by a quantity equivalent to the poundage of the additional
 8 crop of tobacco.

9 “(d) EMINENT DOMAIN.—In establishing production
 10 poundage permits for active growers displaced by acqui-
 11 sition of land by any agency, as provided in section 378,
 12 only a decrease in the production poundage permits as
 13 provided in this section shall be made on account of mar-
 14 ketings in excess of the production poundage permit of
 15 a grower.

16 “(e) ADDITIONAL REDUCTIONS.—The reductions re-
 17 quired under this section shall be in addition to any other
 18 adjustments made pursuant to this subtitle.

19 **“SEC. 380h. PENALTIES.**

20 “(a) IN GENERAL.—

21 “(1) PENALTIES.—Except as provided in sec-
 22 tion 380b(b), when production poundage permits
 23 under this subtitle are in effect, section 314 shall
 24 apply to this subtitle.

1 “(2) ADMINISTRATION.—For the purpose of
 2 paragraph (1), the marketing of tobacco in excess of
 3 a quantity permitted under a production poundage
 4 permit under this subtitle shall be considered the
 5 same as the marketing of tobacco in excess of a
 6 marketing quota.

7 “(b) TRIGGERING QUANTITY.—

8 “(1) IN GENERAL.—No penalty on excess to-
 9 bacco shall be due or collected until 103 percent of
 10 the production poundage permit has been marketed.

11 “(2) MARKETING IN EXCESS OF TRIGGERING
 12 QUANTITY.—In the case of each pound of tobacco
 13 marketed in excess of the percentage described in
 14 paragraph (1), the full penalty rate shall be due,
 15 payable, and collected at the time of marketing on
 16 each pound of excess tobacco marketed.

17 “(3) REDUCTION IN SUBSEQUENT PERMITS.—
 18 Any tobacco marketed in excess of 100 percent of
 19 the production poundage permit shall require a re-
 20 duction in subsequent permits in accordance with
 21 section 380g.

22 “(4) MARKETING OF CERTAIN GRADES.—If the
 23 Secretary determines it is desirable to encourage the
 24 marketing of grade N₂ tobacco or any grade of to-
 25 bacco not eligible for price support in order to meet

1 the normal demands of export and domestic mar-
 2 kets, the Secretary may authorize the marketing of
 3 the tobacco in a marketing year under this subtitle
 4 without the payment of penalty or deduction from
 5 subsequent quotas in a quantity that does not exceed
 6 5 percent of the production poundage permit for the
 7 active grower.

8 “(c) FALSE INFORMATION.—Notwithstanding the
 9 third sentence of section 314(a), when production pound-
 10 age permits established under this subtitle are in effect,
 11 if any active grower falsely identifies or fails to account
 12 for the disposition of any tobacco or participates in any
 13 scheme or device to circumvent any requirement of the
 14 program—

15 “(1) in lieu of assessing and collecting penalties
 16 based on actual marketings of excess tobacco, the
 17 Secretary may elect to assess a penalty computed by
 18 multiplying—

19 “(A) the full penalty rate; by

20 “(B) a quantity of tobacco equal to the
 21 greater of—

22 “(i) 25 percent of the production
 23 poundage permit, plus the farm yield of
 24 the number of acres harvested in excess of
 25 the production poundage permit; or

1 “(ii) 100 percent of the production
2 poundage permit (after adjustments); and

3 “(2) the penalty shall be paid and remitted by
4 the active grower.

5 “(d) FALSE IDENTIFICATION OF PERMITS.—Not-
6 withstanding any other provision of this section, if an ac-
7 tive grower falsely identifies tobacco as having been pro-
8 duced or marketed under a production poundage permit
9 other than the production poundage permit issued for the
10 active grower, the quantity of tobacco falsely identified
11 shall be considered for purposes of establishing future pro-
12 duction poundage permits as having been produced on the
13 production poundage permits of all active growers involved
14 in the false identification.

15 **“SEC. 380i. REPORTS.**

16 “(a) IN GENERAL.—Each active grower for whom a
17 production poundage permit is established under this sub-
18 title shall annually file with the Secretary a report of the
19 acreage planted to Flue-cured and Burley tobacco.

20 “(b) RECORDKEEPING SYSTEM.—Not later than 180
21 days after the date of enactment of this subtitle, the Sec-
22 retary shall establish a computerized recordkeeping system
23 that contains all information reported under subsection
24 (a) and related records, as determined by the Secretary.”.

Subtitle B—Tobacco Equity Reduction Program

SEC. 111. TOBACCO EQUITY REDUCTION PROGRAM.

Subtitle H of title III of the Agricultural Adjustment Act of 1938 (as added by section 101) is amended by adding at the end the following:

“SEC. 380j. TOBACCO EQUITY REDUCTION PROGRAM.

“(a) PROGRAM.—The Secretary, acting through the Commodity Credit Corporation, shall establish a tobacco equity reduction program that is applicable to quota owners and growers of Flue-cured and Burley quota tobacco.

“(b) ELIGIBILITY.—

“(1) IN GENERAL.—Effective beginning with the 2004 crop year, any quota owner or grower of record of Flue-cured or Burley tobacco during the 2002 crop year shall be eligible to receive compensation under the program.

“(2) OWNERS THAT ARE NOT GROWERS.—Any quota owner that did not grow tobacco on the farm to which a tobacco quota applied during the 2002 crop year shall be eligible to receive compensation under the program, except that the owner shall not have any ownership interest in any such marketing quota after the date on which the compensation is received.

1 “(3) PROPORTIONAL PAYMENT.—Any payment
2 under this section shall be made only in an amount
3 that is proportional to the ownership or interest held
4 by the recipient.

5 “(4) APPLICATION.—To be eligible to receive
6 compensation under this section, any quota owner or
7 grower shall prepare and submit to the Secretary an
8 application for compensation in such form and at
9 such time as the Secretary shall prescribe.

10 “(5) CRITERIA.—The application shall dem-
11 onstrate to the satisfaction of the Secretary that the
12 applicant meets the requirements of this section.

13 “(c) PAYMENTS.—

14 “(1) QUOTA OWNERS.—The amount of a pay-
15 ment made under the program to a quota owner
16 shall be equal to the amount obtained by
17 multiplying—

18 “(A) the base quota level for the quota
19 owner; by

20 “(B) \$8 per pound.

21 “(2) GROWERS THAT DISCONTINUE PRODUC-
22 TION.—The amount of a payment made under the
23 program to a grower on a farm that agrees to dis-
24 continue production of tobacco shall be equal to the
25 amount obtained by multiplying—

1 “(A) the grower’s share of the base quota
2 level for the farm; by

3 “(B) \$4 per pound.

4 “(3) GROWERS THAT CONTINUE PRODUC-
5 TION.—The amount of a payment made under the
6 program to a grower on a farm that indicates an in-
7 tention to continue production of tobacco shall be
8 equal to the amount obtained by multiplying—

9 “(A) the grower’s share of the base quota
10 level for the farm; by

11 “(B) \$2 per pound.

12 “(d) ADMINISTRATION.—

13 “(1) AGREEMENT.—A payment to a quota
14 owner or grower under the program shall be made
15 through the execution of an irrevocable agreement
16 between the Secretary and the owner or grower.

17 “(2) PAYMENTS.—

18 “(A) IN GENERAL.—Except as provided in
19 subparagraph (B), an agreement shall provide
20 that compensation under the program shall be
21 made to the quota owner or grower over a pe-
22 riod of 5 years commencing with the date on
23 which the agreement is signed.

24 “(B) SMALL QUOTA OWNERS THAT DIS-
25 CONTINUE PRODUCTION.—Any quota owner

1 that has a base quota level of 1,000 pounds or
 2 less and that no longer intends to engage in to-
 3 bacco production may receive the total com-
 4 pensation for which the owner is eligible under
 5 the program during the first year after the date
 6 on which the agreement is signed.

7 “(3) GROWERS THAT DISCONTINUE PRODUC-
 8 TION.—

9 “(A) IN GENERAL.—If any active grower
 10 agrees to discontinue production of tobacco, re-
 11 ceives a payment under subsection (c)(2), and
 12 has carryover tobacco, the grower shall (at de-
 13 termined by the grower)—

14 “(i) destroy the tobacco under the su-
 15 pervision of the Secretary and receive the
 16 full amount of the payment to which the
 17 grower is entitled under this section; or

18 “(ii) receive the amount of the pay-
 19 ment to which the grower is entitled under
 20 this section, reduced by an amount equal
 21 to the amount obtained by multiplying—

22 “(I) the quantity of carryover to-
 23 bacco; by

1 “(II) the national price-support
2 level for the kind of tobacco for the
3 year produced.

4 “(B) TEMPORARY PERMIT.—Any grower
5 that receives compensation under subparagraph
6 (A)(ii) shall receive a temporary permit author-
7 izing the grower to market the carryover to-
8 bacco in the subsequent marketing year.

9 “(C) REDUCTION OF SUBSEQUENT QUAN-
10 TITIES.—Any poundage sold under the tem-
11 porary permit shall be deducted from the quan-
12 tity of production poundage permits issued for
13 growers in the United States for the subsequent
14 marketing year.

15 “(e) PAYMENT LIMITATION.—Notwithstanding any
16 other provision of law, payments made under this section
17 shall not be subject to any payment limitation otherwise
18 provided by law.”.

19 **SEC. 112. FUNDING.**

20 Subtitle H of title III of the Agricultural Adjustment
21 Act of 1938 (as added by section 111) is amended by add-
22 ing at the end the following:

23 **“SEC. 380k. FUNDING.**

24 “(a) DEFINITIONS.—In this section:

1 “(1) MARKET SHARE.—The term ‘market
2 share’ means the ratio of—

3 “(A) the tax liability of a tobacco product
4 manufacturer or tobacco product importer for a
5 calendar year under section 5703 of the Inter-
6 nal Revenue Code of 1986; to

7 “(B) the tax liability of all tobacco product
8 manufacturers or tobacco product importers for
9 the calendar year under section 5703 of the In-
10 ternal Revenue Code of 1986.

11 “(2) TOBACCO PRODUCT IMPORTER.—The term
12 ‘tobacco product importer’ has the meaning given
13 the term ‘importer’ in section 5702 of the Internal
14 Revenue Code of 1986.

15 “(3) TOBACCO PRODUCT MANUFACTURER.—

16 “(A) IN GENERAL.—The term ‘tobacco
17 product manufacturer’ has the meaning given
18 the term “manufacturer of tobacco products” in
19 section 5702 of the Internal Revenue Code of
20 1986.

21 “(B) EXCLUSION.—The term ‘tobacco
22 product manufacturer’ does not include a per-
23 son that manufactures cigars or pipe tobacco.

24 “(b) DETERMINATIONS.—Not later than September
25 30 of each fiscal year, the Secretary shall—

1 “(1) determine—

2 “(A) the market share of each tobacco
3 product manufacturer or tobacco product im-
4 porter during the most recent calendar year;

5 “(B) the total amount of assessments pay-
6 able for the subsequent fiscal year under sub-
7 section (c); and

8 “(C) the amount of an assessment payable
9 by the tobacco product manufacturer or tobacco
10 product importer for the fiscal year under sub-
11 section (d); and

12 “(2) notify each tobacco product manufacturer
13 and tobacco product importer of the determinations
14 made under paragraph (1) with respect to the manu-
15 facturer or importer.

16 “(c) TOTAL AMOUNT OF ASSESSMENTS.—

17 “(1) IN GENERAL.—The total amount of as-
18 sessments payable by all tobacco product manufac-
19 turers and tobacco product importers to the Sec-
20 retary and the Commodity Credit Corporation for a
21 fiscal year shall be equal to—

22 “(A) the amount of the contribution for
23 the fiscal year required under paragraph (2);
24 less

1 “(B) any amount made available during
 2 the preceding fiscal year to the Secretary and
 3 the Commodity Credit Corporation out of funds
 4 allocated through national tobacco settlement
 5 legislation.

6 “(2) CONTRIBUTIONS.—The amount of the con-
 7 tribution for each fiscal year under paragraph (1)(A)
 8 shall be the amount necessary to carry out during
 9 the fiscal year the Aid to Tobacco-Dependent Com-
 10 munities Act of 2002 and the amendments made by
 11 that Act, as determined by the Secretary.

12 “(d) INDIVIDUAL AMOUNT OF ASSESSMENTS.—The
 13 amount of an assessment payable by each tobacco product
 14 manufacturer and tobacco product importer under this
 15 section for a fiscal year shall be equal to the product ob-
 16 tained by multiplying—

17 “(1) the total amount of assessments payable
 18 by all tobacco product manufacturers and tobacco
 19 product importers for the fiscal year under sub-
 20 section (c); by

21 “(2) the market share of the tobacco product
 22 manufacturer or tobacco product importer during
 23 the most recent calendar year determined under sub-
 24 section (b)(1)(A).”.

1 **Subtitle C—Termination of Mar-**
 2 **keting Quotas for Flue-Cured**
 3 **and Burley Tobacco**

4 **SEC. 121. DEFINITION OF COVERED TOBACCO.**

5 Part I of subtitle B of title III of the Agricultural
 6 Adjustment Act of 1938 is amended by inserting before
 7 section 311 (7 U.S.C. 1311) the following:

8 **“SEC. 310. DEFINITION OF COVERED TOBACCO.**

9 “In this part, the term ‘covered tobacco’ means any
 10 kind of tobacco other than Flue-cured or Burley tobacco.”.

11 **SEC. 122. NATIONAL MARKETING QUOTA.**

12 Section 312 of the Agricultural Adjustment Act of
 13 1938 (7 U.S.C. 1312) is amended—

14 (1) in subsection (a), by striking “December 1”
 15 and all that follows through “other kinds of to-
 16 bacco” and inserting “March 1 of any marketing
 17 year with respect to covered tobacco”; and

18 (2) in the first sentence of subsection (b), by
 19 striking “the first day of December” and all that fol-
 20 lows through “other kinds of tobacco” and inserting
 21 “March 1 with respect to covered tobacco”.

22 **SEC. 123. APPORTIONMENT OF NATIONAL MARKETING**
 23 **QUOTA.**

24 Section 313 of the Agricultural Adjustment Act of
 25 1938 (7 U.S.C. 1313) is amended—

1 (1) in subsection (a)—

2 (A) by striking “quota: *Provided*,” and all
 3 that follows through “acre: *And provided fur-*
 4 *ther*, That” and inserting “quota, except that”;
 5 and

6 (B) by striking “practices: *And provided*
 7 *further*,” and all that follows and inserting
 8 “practices.”;

9 (2) in the proviso of subsection (b), by striking
 10 “(1)” and all that follows through “or (2)” and in-
 11 serting “(1) 2,400 pounds, in the case of covered to-
 12 bacco, or (2)”;

13 (3) by striking subsection (e); and

14 (4) in paragraph (2) of the third sentence of
 15 subsection (g), by striking “three thousand” and all
 16 that follows through “tobacco: *Provided*, That” and
 17 inserting “2,400 pounds, in the case of covered to-
 18 bacco, except that”.

19 **SEC. 124. BURLEY TOBACCO ACREAGE ALLOTMENTS.**

20 The Act entitled “An Act relating to burley tobacco
 21 farm acreage allotments under the Agricultural Adjust-
 22 ment Act of 1938, as amended”, approved July 12, 1952
 23 (7 U.S.C. 1315), is repealed.

1 **SEC. 125. LEASE AND TRANSFER OF ACREAGE ALLOT-**
 2 **MENTS.**

3 Section 316 of the Agricultural Adjustment Act of
 4 1938 (7 U.S.C. 1314b) is amended—

5 (1) by striking the section heading and all that
 6 follows through “(A)(i) The” and inserting the fol-
 7 lowing:

8 **“SEC. 316. LEASE AND TRANSFER OF ACREAGE ALLOT-**
 9 **MENTS.**

10 “(a) IN GENERAL.—Notwithstanding any other pro-
 11 vision of law, the”;

12 (2) in subsection (a)—

13 (A) by striking “Burley, Flue-cured,”; and

14 (B) by striking “(ii) The Secretary” and
 15 all that follows;

16 (3) in subsection (e)—

17 (A) by striking paragraph (2); and

18 (B) by redesignating paragraph (3) as
 19 paragraph (2); and

20 (4) by striking subsection (g) through the end
 21 of the section.

22 **SEC. 126. MANDATORY SALE OF FLUE-CURED TOBACCO**
 23 **ACREAGE ALLOTMENTS AND MARKETING**
 24 **QUOTAS.**

25 Section 316A of the Agricultural Adjustment Act of
 26 1938 (7 U.S.C. 1314b–1) is repealed.

1 **SEC. 127. MANDATORY SALE OF BURLEY TOBACCO ACRE-**
 2 **AGE ALLOTMENTS AND MARKETING QUOTAS.**

3 Section 316B of the Agricultural Adjustment Act of
 4 1938 (7 U.S.C. 1314b-2) is repealed.

5 **SEC. 128. ACREAGE—POUNDAGE QUOTAS.**

6 Section 317 of the Agricultural Adjustment Act of
 7 1938 (7 U.S.C. 1314c) is amended—

8 (1) in subsection (a)—

9 (A) in paragraph (1)—

10 (i) by striking “(1)(A)” and inserting
 11 “(1)”; and

12 (ii) by striking subparagraphs (B) and
 13 (C);

14 (B) in paragraph (2), by striking the last
 15 sentence;

16 (C) in paragraph (4), by striking the sec-
 17 ond and third sentences; and

18 (D) by striking paragraph (5) and all that
 19 follows through the end of the first sentence of
 20 paragraph (6)(B) and inserting the following:

21 “(5) **COMMUNITY AVERAGE YIELD.**—The term
 22 ‘community average yield’ means, for covered to-
 23 bacco, the average yield per acre in the community
 24 designated by the Secretary as a local administrative
 25 area under section 8(b) of the Soil Conservation and
 26 Domestic Allotment Act (16 U.S.C. 590h(b)), which

1 is determined by averaging the yields per acre for
 2 the 3 highest years of the 1960 through 1964 crop
 3 years, except that if the yield for any of the 3 high-
 4 est years is less than 80 percent of the average for
 5 the 3 years, that 1 or more years shall be eliminated
 6 and the average of the remaining years shall be the
 7 community average yield.

8 “(6) PRELIMINARY FARM YIELD.—

9 “(A) IN GENERAL.—The term ‘preliminary
 10 farm yield’ for covered tobacco means a farm
 11 yield per acre determined by averaging the yield
 12 per acre for the 3 highest years of the imme-
 13 diately preceding 5 crops year, except that—

14 “(i) if that average exceeds 120 per-
 15 cent of the community average yield the
 16 preliminary farm yield shall be the sum of
 17 50 percent of the average of the 3 highest
 18 years and 50 percent of the national aver-
 19 age yield goal but not less than 120 per-
 20 cent of the community average yield; and

21 “(ii) if the average of the 3 highest
 22 years is less than 80 percent of the com-
 23 munity average yield the preliminary farm
 24 yield shall be 80 percent of the community
 25 average yield.

1 “(B) ADMINISTRATION.—”;

2 (2) by striking subsection (b);

3 (3) in the first sentence of subsection (c)—

4 (A) by striking “, including Flue-cured to-
5 bacco,”; and

6 (B) in the proviso, by striking “except
7 Flue-cured tobacco”;

8 (4) in subsection (d)—

9 (A) in the first sentence, by striking “De-
10 cember 15 of any marketing year with respect
11 to Flue-cured tobacco, and March 1 with re-
12 spect to other kinds of tobacco” and inserting
13 “March 1 with respect to covered tobacco”;

14 (B) by striking the second and fourth sen-
15 tences;

16 (C) in the eighth sentence, by striking “the
17 December 15 with respect to Flue-cured to-
18 bacco and the March 1 with respect to other
19 kinds of tobacco” and inserting “the March 1
20 with respect to covered tobacco”; and

21 (D) by striking the last 2 sentences;

22 (5) in subsection (f), by striking the last sen-
23 tence;

24 (6) in subsection (g)(1), by striking “(120 per
25 centum” and all that follows through “section)”;

1 (7) by striking subsections (h), (i), (k), and (l);
 2 and
 3 (8) by redesignating subsection (j) as sub-
 4 section (h).

5 **SEC. 129. FARM POUNDAGE QUOTAS FOR CERTAIN KINDS**
 6 **OF TOBACCO.**

7 Section 319 of the Agricultural Adjustment Act of
 8 1938 (7 U.S.C. 1314e) is amended—

9 (1) by striking subsection (a);

10 (2) in subsection (c)—

11 (A) in paragraph (1), by striking “Except
 12 as provided in paragraph (3), the” and insert-
 13 ing “The”; and

14 (B) by striking paragraph (3);

15 (3) in subsection (d)—

16 (A) in the first sentence, by striking “for
 17 the marketing year beginning October 1, 1970,
 18 in the case of burley tobacco, and”; and

19 (B) in the second sentence—

20 (i) by striking “the five consecutive
 21 years beginning with the 1966 crop year,
 22 in the case of burley tobacco, and”; and

23 (ii) in the third proviso, by striking
 24 “three thousand five hundred pounds per
 25 acre, in the case of burley tobacco, and”;

1 (4) in subsection (e)—

2 (A) by striking the first sentence; and

3 (B) by striking the second proviso;

4 (5) in subsection (g)—

5 (A) in paragraph (1)—

6 (i) by striking “(1)”; and

7 (ii) by striking the third and fourth
8 provisos; and

9 (B) by striking paragraphs (2) and (3);

10 (6) by striking subsection (h);

11 (7) in subsection (i)(3), by striking the second
12 and third sentences; and

13 (8) by striking subsections (k), (l), (m), and
14 (n).

15 **Subtitle D—Administration**

16 **SEC. 141. PURCHASE INTENTIONS BY CIGARETTE MANU- 17 FACTURERS.**

18 Section 320A(a)(1) of the Agricultural Adjustment
19 Act of 1938 (7 U.S.C. 1314g(a)(1)) is amended—

20 (1) by striking “(or, in the case of the 1986
21 crop, 14 days after the date of enactment of the
22 Consolidated Omnibus Budget Reconciliation Act of
23 1985)”;

1 (2) by striking “(or, in the case of the 1986
2 crop, 14 days after the date of enactment of such
3 Act or January 15, 1986, whichever is later)”; and
4 (3) by striking “marketing quota” each place it
5 appears and inserting “production poundage per-
6 mit”.

7 **SEC. 142. PURCHASE REQUIREMENTS AND PENALTIES.**

8 Section 320B of the Agricultural Adjustment Act of
9 1938 (7 U.S.C. 1314h) is amended—

10 (1) by striking “quota tobacco” each place it
11 appears and inserting “covered tobacco”;

12 (2) in subsection (b)—

13 (A) in paragraph (1), by striking “at least
14 90 percent of”; and

15 (B) in paragraph (2)(A)—

16 (i) by striking “marketing quota”
17 each place it appears and inserting “pro-
18 duction poundage permit”; and

19 (ii) by striking “or undermarketings”
20 each place it appears;

21 (3) in subsection (c)—

22 (A) by striking paragraph (1) and insert-
23 ing the following:

24 “(1) the penalty rate for the applicable kind of
25 tobacco under section 314(a); by”; and

1 (B) in paragraph (2)(B), by striking “90
2 percent of”; and

3 (4) in subsection (f), by striking “marketing
4 quotas” each place it appears and inserting “produc-
5 tion poundage permits”.

6 **SEC. 143. TOBACCO PRODUCTION AND MARKETING INFOR-**
7 **MATION.**

8 (a) IN GENERAL.—Section 320D(a) of the Agricul-
9 tural Adjustment Act of 1938 (7 U.S.C. 1314i(a)) is
10 amended—

11 (1) by striking “Notwithstanding” and insert-
12 ing the following:

13 “(1) STATE TRUSTS AND SIMILAR ORGANIZA-
14 TIONS.—Notwithstanding”; and

15 (2) by adding at the end the following:

16 “(2) FOREIGN COUNTRIES.—

17 “(A) IN GENERAL.—The Secretary shall
18 collect and disseminate information from for-
19 eign countries regarding production, consump-
20 tion, and such other information related to pro-
21 duction and consumption of tobacco in such
22 countries as the Secretary determines appro-
23 priate.

24 “(B) INFORMATION.—The information
25 shall include material related to market devel-

1 opment, international trade agreements and ne-
 2 gotiations, economic research, and the collection
 3 and analysis of statistics and market informa-
 4 tion.”.

5 (b) CONFORMING AMENDMENT.—Section 320D(e)(2)
 6 of the Agricultural Adjustment Act of 1938 (7 U.S.C.
 7 1314i(e)(2)) is amended by inserting “or production
 8 poundage permits” after “quotas”.

9 **SEC. 144. PUBLICATION OF QUOTAS.**

10 (a) APPLICABILITY.—Section 361 of the Agricultural
 11 Adjustment Act of 1938 (7 U.S.C. 1361) is amended—

12 (1) by striking “This” and inserting “Except as
 13 otherwise provided in this Act, this”; and

14 (2) by inserting “or production poundage per-
 15 mits” after “quotas”.

16 (b) PUBLICATION AND NOTICE.—Section 362 of the
 17 Agricultural Adjustment Act of 1938 (7 U.S.C. 1362) is
 18 amended—

19 (1) in the first sentence, by inserting “or pro-
 20 duction poundage permits” after “quotas”;

21 (2) in the third sentence—

22 (A) by inserting “or production poundage
 23 permit” after “quota”; and

24 (B) by inserting “or active grower” after
 25 “farmer”; and

1 (3) in the fourth sentence—

2 (A) by inserting “or production poundage
3 permit” after “allotment” each place it appears;

4 (B) by inserting “or active grower” after
5 “each farm”; and

6 (C) by inserting “or active grower” after
7 “operator”.

8 (c) INAPPLICABILITY TO TOBACCO.—Part I of sub-
9 title C of title III of the Agricultural Adjustment Act of
10 1938 (7 U.S.C. 1361 et seq.) is amended by adding at
11 the end the following:

12 **“SEC. 369. INAPPLICABILITY TO TOBACCO.**

13 “Sections 363 through 368 shall not apply to to-
14 bacco.”.

15 **SEC. 145. GENERAL ADJUSTMENT OF QUOTAS.**

16 Section 371 of the Agricultural Adjustment Act of
17 1938 (7 U.S.C. 1371) is amended—

18 (1) in subsection (a), by inserting “or produc-
19 tion poundage permits” after “quotas” each place it
20 appears;

21 (2) in subsection (b)—

22 (A) in the first sentence, by inserting “or
23 production poundage permit” after “acreage al-
24 lotment”; and

1 (B) in the second sentence, by inserting “,
 2 permit,” after “such quota”; and
 3 (3) in subsection (c) by inserting “, production
 4 poundage permit,” after “quota” each place it ap-
 5 pears.

6 **SEC. 146. EMINENT DOMAIN.**

7 Section 378(f) of the Agricultural Adjustment Act of
 8 1938 (7 U.S.C. 1378(f)) is amended—

9 (1) by striking “(f) In applying the provisions
 10 of this” and inserting the following:

11 “(f) APPLICATION TO FARMS WITH QUOTAS OR PER-
 12 MITS.—

13 “(1) QUOTAS.—In applying this”; and

14 (2) by adding at the end the following:

15 “(2) PERMITS.—In applying this section to pro-
 16 duction poundage permits for Flue-cured and Burley
 17 tobacco established under this Act:

18 “(A) ALLOTMENT.—The term ‘allotment’
 19 means a production poundage permit for Flue-
 20 cured or Burley tobacco.

21 “(B) OWN.—The term ‘own’ means, with
 22 respect to an active grower, to own or lease
 23 land.

1 “(C) OWNER.—The term ‘owner’ means an
2 active grower to whom a permit has been
3 issued.”.

4 **SEC. 147. RECONSTITUTION OF FARMS.**

5 Section 379 of the Agricultural Adjustment Act of
6 1938 (7 U.S.C. 1379) is amended—

7 (1) in subsection (a)(6), by striking all after
8 “uses” and inserting a period; and

9 (2) in subsection (b), by striking “if (1)” and
10 all that follows through “(2)”; and

11 (3) by striking subsection (c).

12 **SEC. 148. VOLUNTARY RELINQUISHMENT OF ALLOTMENTS.**

13 Section 803 of the Agriculture Act of 1970 (16
14 U.S.C. 590q-2) is amended—

15 (1) by inserting “, production poundage per-
16 mit,” after “allotment” each place it appears; and

17 (2) by inserting “, or active grower in the case
18 of a production poundage permit for tobacco,” after
19 “farm”.

20 **SEC. 149. PROHIBITION ON PROMOTION OF MANUFAC-**
21 **TURED TOBACCO PRODUCTS.**

22 Part I of subtitle F of title III of the Agricultural
23 Adjustment Act of 1938 (7 U.S.C. 1381 et seq.) is amend-
24 ed by adding at the end the following:

1 **“SEC. 390A. PROHIBITION ON PROMOTION OF MANUFAC-**
 2 **TURED TOBACCO PRODUCTS.**

3 “Notwithstanding any other provision of law, no offi-
 4 cer or employee of the Federal Government, or any agent
 5 acting on behalf of an officer or employee, shall have any
 6 authority under this or any other Act—

7 “(1) to promote the sale or export of a manu-
 8 factured tobacco product; or

9 “(2) to seek the reduction or removal by any
 10 foreign country of a restriction on the marketing of
 11 manufactured tobacco products, except for a restric-
 12 tion that is not applied equally to all manufactured
 13 tobacco products of the same type.”.

14 **TITLE II—TOBACCO PRICE**
 15 **SUPPORT**

16 **SEC. 201. LOANS, PAYMENTS, AND ACREAGE REDUCTION**
 17 **PROGRAMS.**

18 (a) AVAILABILITY OF PRICE SUPPORT.—Section
 19 106(c) of the Agricultural Act of 1949 (7 U.S.C. 1445(c))
 20 is amended—

21 (1) by inserting “, or production poundage per-
 22 mits,” after “quotas”;

23 (2) by inserting “, or subtitle E of title III,”
 24 after “317 or 319”;

25 (3) by inserting “or permit” after “quota”; and

1 (4) by inserting “or grower by which the to-
 2 bacco was produced, as applicable” after “pro-
 3 duced,”.

4 (b) LEVEL OF SUPPORT.—Section 106(f) of the Agri-
 5 cultural Act of 1949 (7 U.S.C. 1445(f)) is amended—

6 (1) in paragraph (6)(A), by striking “(other
 7 than Flue-cured and Burley tobacco)”;

8 (2) in paragraph (7)—

9 (A) in subparagraph (A), by inserting “or
 10 production poundage permits” after “quotas”;
 11 and

12 (B) in subparagraph (B)(v), by striking
 13 “purchase or leasing of quotas,”.

14 (c) SUPPORT LEVEL REDUCTION.—Section 106(f) of
 15 the Agricultural Act of 1949 (7 U.S.C. 1445(f)) is amend-
 16 ed by adding at the end the following:

17 “(9) REDUCTION AT REQUEST OF ASSOCIA-
 18 TION.—

19 “(A) IN GENERAL.—Notwithstanding any
 20 other provision of this subsection, if requested
 21 by the board of directors of an association
 22 through which price support for Flue-cured or
 23 Burley tobacco is made available to growers,
 24 the Secretary may reduce the support level for
 25 the tobacco to the extent requested by the asso-

1 ciation to more accurately reflect the market
 2 value and improve the marketability of the to-
 3 bacco.

4 “(B) NO EFFECT ON SUBSEQUENT
 5 YEARS.—Any reduction under subparagraph
 6 (A) shall not be used in establishing the sup-
 7 port rate for that kind of tobacco in any year
 8 subsequent to the reduction.”.

9 (d) TECHNICAL AMENDMENT.—Section 106 of the
 10 Agricultural Act of 1949 (7 U.S.C. 1445) is amended by
 11 striking subsection (g).

12 **SEC. 202. NO NET COST TOBACCO FUND CONTRIBUTIONS**
 13 **AND ASSESSMENTS.**

14 (a) DEFINITIONS.—Section 106A of the Agricultural
 15 Act of 1949 (7 U.S.C. 1445–1) is amended—

16 (1) by striking “quota tobacco” each place it
 17 appears and inserting “covered tobacco”; and

18 (2) in subsection (a)—

19 (A) in paragraph (6), by striking all after
 20 “Flue-cured” and inserting “, Burley, or other
 21 kinds of quota or production poundage permit
 22 tobacco; and”; and

23 (B) in paragraph (7), by inserting “or pro-
 24 duction poundage permits” after “quotas” each
 25 place it appears.

1 (b) CONTRIBUTIONS AND ASSESSMENTS.—Section
 2 106A(d) of the Agricultural Act of 1949 (7 U.S.C. 1445–
 3 1(d)) is amended—

4 (1) in paragraph (1)—

5 (A) in subparagraph (A)—

6 (i) in clause (ii), by striking “and
 7 Burley” and inserting “, Burley, and other
 8 kinds of”; and

9 (ii) in clause (iii)—

10 (I) by striking “or Burley” and
 11 inserting “, Burley, or all other kinds
 12 of quota tobacco”; and

13 (II) in subclause (II), by striking
 14 “and Burley” and inserting “, Burley,
 15 and other kinds of quota”; and

16 (B) in subparagraph (B), by striking “ac-
 17 count.” and inserting “account, and only 2002
 18 and subsequent crops of other kinds of tobacco
 19 shall be taken into account.”; and

20 (2) in paragraph (2)(B), by striking “ware-
 21 houseman” each place it appears and inserting
 22 “warehouse operator”.

23 (c) RECEIVING STATIONS.—Section 106A of the Ag-
 24 ricultural Act of 1949 (7 U.S.C. 1445–1) is amended by
 25 adding at the end the following:

1 “(i) RECEIVING STATIONS.—

2 “(1) IN GENERAL.—An association may estab-
 3 lish receiving stations to receive tobacco in any geo-
 4 graphical area where it is determined by an associa-
 5 tion (with the concurrence of the Commodity Credit
 6 Corporation) that active growers in the area do not
 7 have access to traditional auction markets.

8 “(2) OPPORTUNITY TO PURCHASE TOBACCO.—

9 Any buyer of tobacco shall be afforded an oppor-
 10 tunity to purchase tobacco delivered to any receiving
 11 station established under this subsection prior to the
 12 tobacco being pledged as security for price support
 13 loans.”.

14 **SEC. 203. MARKETING ASSESSMENTS.**

15 (a) DEFINITIONS.—Section 106B(a) of the Agricul-
 16 tural Act of 1949 (7 U.S.C. 1445–2(a)) is amended—

17 (1) in paragraph (5), by inserting “or produc-
 18 tion poundage permits” after “quotas” each place it
 19 appears;

20 (2) in paragraph (8), by striking “or Burley”
 21 and inserting “, Burley, or other kinds of”; and

22 (3) by adding at the end the following:

23 “(9) QUOTA.—The term ‘quota’ means a mar-
 24 keting quota or production poundage permit.”.

1 (b) PAYMENT OF ASSESSMENT.—Section 106B(d) of
 2 the Agricultural Act of 1949 (7 U.S.C. 1445–2(d)) is
 3 amended—

4 (1) in paragraph (1)—

5 (A) in subparagraph (B), by striking “and
 6 Burley quota” and inserting “, Burley, and all
 7 other kinds of quota”; and

8 (B) in subparagraph (C), by striking “and
 9 Burley” and inserting “, Burley, and all other
 10 kinds of quota”;

11 (2) in paragraph (2)(A), by striking “account.”
 12 and inserting “account, and only 2002 and subse-
 13 quent crops of other kinds of tobacco shall be taken
 14 into account.”; and

15 (3) in paragraph (3)(D), by striking “or Bur-
 16 ley” and inserting “, Burley, or any other kind of
 17 quota”.

18 (c) RECEIVING STATIONS.—Section 106B of the Ag-
 19 ricultural Act of 1949 (7 U.S.C. 1445–2) is amended by
 20 adding at the end the following:

21 “(k) RECEIVING STATIONS.—

22 “(1) IN GENERAL.—An association may estab-
 23 lish receiving stations to receive quota tobacco in
 24 any geographical area where it is determined by an
 25 association (with the concurrence of the Commodity

1 Credit Corporation) that active growers in the area
 2 do not have access to traditional auction markets.

3 “(2) OPPORTUNITY TO PURCHASE TOBACCO.—
 4 Any buyer of tobacco shall be afforded an oppor-
 5 tunity to purchase quota tobacco delivered to any re-
 6 ceiving station established under this subsection
 7 prior to the tobacco being pledged as security for
 8 price support loans.”.

9 **SEC. 204. DEFINITIONS.**

10 Section 408 of the Agricultural Act of 1949 (7 U.S.C.
 11 1428) is amended by adding at the end the following:

12 “(m) ACTIVE GROWER.—The term ‘active grow-
 13 er’ has the meaning given the term in section 301(c)
 14 of the Agricultural Adjustment Act of 1938 (7
 15 U.S.C. 1308(c)).

16 “(n) PRODUCTION POUNDAGE PERMIT.—The
 17 term ‘production poundage permit’ means a permit
 18 issued to an active grower for the purpose of pro-
 19 ducing tobacco.”.

20 **TITLE III—TOBACCO**
 21 **STANDARDS AND INSPECTIONS**

22 **SEC. 301. TOBACCO STANDARDS.**

23 (a) DEFINITION.—The first section of the Tobacco
 24 Inspection Act (7 U.S.C. 511) is amended by adding at
 25 the end the following:

1 “(j) NONAUCTION SALE.—The term ‘nonauction
2 sale’ means a sale of tobacco by contract or means
3 other than through a sale at auction.”.

4 (b) FINDINGS.—Section 2 of the Tobacco Inspection
5 Act (7 U.S.C. 511a) is amended by inserting after “mar-
6 kets” the following: “or by nonauction sale (including re-
7 ceiving stations operated by loan associations under sec-
8 tions 106A and 106B of the Agricultural Act of 1949 (7
9 U.S.C. 1445–1 and 1445–2)”.

10 (c) CERTIFICATION OF GRADE.—Section 8 of the To-
11 bacco Inspection Act (7 U.S.C. 511g) is amended—

12 (1) by striking “Warehousemen” and inserting
13 “Warehouse operators or other purchasers of to-
14 bacco”; and

15 (2) by striking “warehouse” each place it ap-
16 pears.

17 (d) APPLICABILITY.—The Tobacco Inspection Act is
18 amended—

19 (1) by redesignating section 18 (7 U.S.C. 511q)
20 as section 19; and

21 (2) by inserting after section 17 (7 U.S.C.
22 511p) the following:

1 **“SEC. 18. APPLICABILITY TO NONAUCTION SALE OF TO-**
 2 **BACCO.**

3 “This Act also shall apply to any nonauction sale of
 4 tobacco.”.

5 **SEC. 302. TOBACCO INSPECTIONS.**

6 (a) TOBACCO TO BE INSPECTED.—Section 213(a)(1)
 7 of the Tobacco Adjustment Act of 1983 (7 U.S.C.
 8 511r(a)(1)) is amended—

9 (1) by striking “, except tobacco described in
 10 paragraph (2),”; and

11 (2) by striking “through a warehouse”.

12 (b) UNIFORMITY OF STANDARDS.—Section 213(b) of
 13 the Tobacco Adjustment Act of 1983 (7 U.S.C. 511r(b))
 14 is amended—

15 (1) by striking “through a warehouse”; and

16 (2) by inserting before the period the following:
 17 “, including oriental tobacco regardless of whether
 18 the tobacco is not produced in the United States”.

19 (c) CERTIFICATION.—Section 213(e) of the Tobacco
 20 Adjustment Act of 1983 (7 U.S.C. 511r(e)) is amended—

21 (1) in paragraphs (1), (4), and (5), by striking
 22 “flue-cured or burley” each place it appears; and

23 (2) in paragraphs (2) and (3), by striking
 24 “flue-cured and burley” and inserting “all”.

25 (d) IDENTIFICATION OF END USERS.—Section
 26 213(f)(1) of the Tobacco Adjustment Act of 1983 (7

1 U.S.C. 511r(f)(1)) is amended in the second sentence by
 2 striking “flue cured or burley”.

3 **TITLE IV—ASSISTANCE TO TO-**
 4 **BACCO-DEPENDENT COMMU-**
 5 **NITIES**

6 **SEC. 401. CENTER FOR TOBACCO-DEPENDENT COMMU-**
 7 **NITIES.**

8 (a) FINDINGS.—Congress finds that—

9 (1) tobacco production is conducted extensively
 10 in a number of States;

11 (2) tobacco production generates significant in-
 12 come in local communities, which are dependent on
 13 the production for economic vitality;

14 (3) many tobacco-producing communities are
 15 facing significant challenges in developing non-
 16 tobacco income, and are quite dependent on tobacco
 17 and vulnerable to changes in the tobacco-growing in-
 18 dustry;

19 (4) greater analysis and study is needed of eco-
 20 nomic conditions in the communities in order to gain
 21 critical information, including analysis and study
 22 of—

23 (A) the interconnections among various to-
 24 bacco-related activities;

1 (B) the degree to which the economic base
2 of the communities is diversified; and

3 (C) the extent to which the communities
4 are dependent on other declining economic sec-
5 tors; and

6 (5) while tobacco-growing States have some fi-
7 nancial resources to support community revitaliza-
8 tion, few States have the resources necessary to pro-
9 vide the support that tobacco-dependent commu-
10 nities, quota owners, and growers require to transi-
11 tion successfully from a tobacco-dependent economy
12 to a thriving, diversified economic base.

13 (b) ESTABLISHMENT.—

14 (1) IN GENERAL.—There is authorized to be es-
15 tablished a nonprofit corporation, to be known as
16 the “Center for Tobacco-Dependent Communities”,
17 which will not be an agency or establishment of the
18 United States Government.

19 (2) LAWS.—The Center shall be subject to—

20 (A) this section; and

21 (B) to the extent consistent with this sec-
22 tion, the laws (including regulations) of the
23 State where the Center is incorporated applica-
24 ble to nonprofit corporations.

25 (c) BOARD OF DIRECTORS.—

1 (1) COMPOSITION.—

2 (A) IN GENERAL.—The Center shall have
3 a Board of Directors consisting of 7 members,
4 of which—

5 (i) 6 members shall be appointed by
6 the President, by and with the advice and
7 consent of the Senate; and

8 (ii) 1 member shall be appointed by
9 the other members of the Board, who shall
10 serve as Executive Director of the Center.

11 (B) POLITICAL PARTY.—Of the members
12 appointed by the President under subparagraph
13 (A)(i), not more than 3 of the members may be
14 members of the same political party.

15 (C) QUALIFICATIONS.—Each member of
16 the Board appointed by the President under
17 subparagraph (A)(i) shall—

18 (i) be a citizen of the United States;

19 (ii) have knowledge and experience re-
20 garding the matters for which the Center
21 is responsible; and

22 (iii) be eminent in issues related to
23 rural development, including—

24 (I) small-crop agriculture;

25 (II) entrepreneurial activity; and

1 (III) industrial, small business,
2 and community development.

3 (2) DUTIES OF INITIAL BOARD.—The members
4 of the initial Board of Directors shall—

5 (A) serve as incorporators; and

6 (B) take whatever actions are necessary to
7 establish the Center under the laws (including
8 regulations) of the State where the Center is in-
9 corporated.

10 (3) TERMS.—

11 (A) IN GENERAL.—The term of office of
12 each member of the Board appointed by the
13 President shall be 4 years, except that of the
14 members initially appointed, 3 members shall
15 serve for a 2-year term.

16 (B) EXPIRATION OF TERM.—Any member
17 whose term has expired may serve until the suc-
18 cessor of the member has taken office or until
19 the end of the calendar year in which the term
20 of the member has expired, whichever is earlier.

21 (C) VACANCIES.—

22 (i) IN GENERAL.—Any member ap-
23 pointed to fill a vacancy occurring prior to
24 the expiration of the term for which the
25 predecessor of the member was appointed

1 shall be appointed for the remainder of the
2 term.

3 (ii) POWERS.—Any vacancy on the
4 Board shall not affect the powers of the
5 Board and shall be filled in a manner con-
6 sistent with this section.

7 (D) CONSECUTIVE TERMS.—No member of
8 the Board shall be eligible to serve in excess of
9 2 consecutive full terms.

10 (4) MEETINGS.—

11 (A) IN GENERAL.—A member of the Board
12 shall attend not less than 50 percent of all
13 meetings of the Board in any calendar year.

14 (B) FAILURE TO ATTEND MEETINGS.—If a
15 member fails to meet the requirement of sub-
16 paragraph (A)—

17 (i) the member shall forfeit member-
18 ship on the Board; and

19 (ii) not later than 30 days after the
20 vacancy is determined by the Chairperson
21 of the Board, the President shall appoint a
22 new member to fill the vacancy.

23 (C) PUBLIC MEETINGS.—All meetings of
24 the Board, including any committee of the
25 Board, shall be open to the public.

1 (5) ADMINISTRATION.—

2 (A) CHAIRPERSON AND VICE CHAIR-
3 PERSON.—Members of the Board shall annually
4 elect—

5 (i) 1 member of the Board to serve as
6 Chairperson; and

7 (ii) 1 or more members of the Board
8 to serve as Vice Chairpersons.

9 (B) NONFEDERAL EMPLOYEES.—A mem-
10 ber of the Board shall not, by reason of mem-
11 bership on the Board, be an officer or employee
12 of the United States.

13 (C) COMPENSATION.—

14 (i) IN GENERAL.—Subject to clause
15 (ii), a member of the Board shall, while at-
16 tending a meeting of the Board or while
17 engaged in duties related to the meeting or
18 other activities of the Board pursuant to
19 this section, be entitled to receive com-
20 pensation at the rate of \$150 per day, in-
21 cluding travel time.

22 (ii) LIMITATION.—No member of the
23 Board shall receive compensation of more
24 than \$10,000 for any fiscal year.

1 (D) EXPENSES.—While away from the
2 home or regular place of business, a member of
3 the Board shall be allowed travel and actual,
4 reasonable, and necessary expenses.

5 (d) OFFICERS AND EMPLOYEES.—

6 (1) IN GENERAL.—Subject to paragraph (2),
7 the Center shall have a President, and such other of-
8 ficers and employees as may be appointed by the
9 Board, for terms and at rates of compensation fixed
10 by the Board.

11 (2) COMPENSATION LIMITATION.—No officer or
12 employee of the Corporation may be compensated by
13 the Corporation at an annual rate of pay that ex-
14 ceeds the rate of basic pay in effect for level I of the
15 Executive Schedule under section 5312 of title 5,
16 United States Code.

17 (3) CITIZENSHIP.—To be eligible to be an offi-
18 cer or employee of the Center, an individual shall be
19 a citizen of the United States.

20 (4) OTHER COMPENSATION.—

21 (A) IN GENERAL.—Except as provided in
22 subparagraph (B), no officer or employee of the
23 Center, other than the Chairperson or Vice
24 Chairperson, may receive any salary or other
25 compensation from any sources other than the

1 Center for services rendered during the period
2 of employment by the Center.

3 (B) EXCEPTIONS.—With the advance ap-
4 proval of the Board and subject to ethical
5 guidelines established by the Board, an office or
6 employee of the Center may receive compensa-
7 tion for—

8 (i) service on a board of directors of
9 an organization that does not receive funds
10 from the Center;

11 (ii) service on a committee of a board
12 described in clause (i); and

13 (iii) similar activities for an organiza-
14 tion described in clause (i).

15 (5) TENURE.—An officer or employee of the
16 Center shall serve at the pleasure of the Board.

17 (6) NONPOLITICAL POSITION.—Except as pro-
18 vided in subsection (c)(1)(B), no political test or
19 qualification shall be used in selecting, appointing,
20 promoting, or taking other personnel actions with re-
21 spect to an officer, employee, or agent of the Center.

22 (e) NONPROFIT AND NONPOLITICAL NATURE OF THE
23 CENTER.—

1 (1) NO STOCK OR DIVIDENDS.—The Center
2 shall have no power to issue any shares of stock or
3 to declare or pay any dividends.

4 (2) USE OF INCOME OR ASSETS.—No part of
5 the income or assets of the Center shall inure to the
6 benefit of any director, officer, employee, or any
7 other individual except as salary or reasonable com-
8 pensation for services.

9 (3) POLITICAL CONTRIBUTIONS.—The Center
10 may not contribute to or otherwise support any po-
11 litical party or candidate for elective public office.

12 (f) PURPOSES AND POWERS.—

13 (1) PURPOSES.—The purposes of the Center
14 are—

15 (A) to provide economic and community
16 development assistance for tobacco communities
17 to assist the communities in making the transi-
18 tion from tobacco-based economies;

19 (B) to provide primarily agricultural and
20 entrepreneurial assistance to the communities,
21 including outreach and education to tobacco
22 quota owners, growers, and other persons (in-
23 cluding small communities) with limited ability
24 to obtain access to economic development re-
25 sources; and

1 (C) in particular, to provide assistance to
2 tobacco-producing communities identified by the
3 Secretary (acting through the Economic Re-
4 search Service), with emphasis on those com-
5 munities that are especially dependent on to-
6 bacco production for the generation of revenue.

7 (2) POWERS.—In carrying out paragraph (1),
8 the Center may—

9 (A) provide communities and producers
10 with targeted technical assistance;

11 (B) convene meetings and conduct work-
12 shops and conferences;

13 (C) serve as a clearinghouse for exchange
14 of information regarding best industry prac-
15 tices;

16 (D) provide research and policy develop-
17 ment activities;

18 (E) serve as an advocate for communities
19 making the transition from tobacco-based
20 economies;

21 (F) make grants to individuals or entities,
22 including challenge grants, community mini-
23 grants, technical assistance grants, and grants
24 for pilot projects and demonstrations;

1 (G) hire or accept the voluntary services of
2 consultants, experts, advisory boards, and pan-
3 els to aid the Center in carrying out the pur-
4 poses of this section;

5 (H) accept bequests, donations, and other
6 forms of assistance; and

7 (I) take such other actions as may be nec-
8 essary to accomplish the purposes described in
9 paragraph (1).

10 (3) NO FEDERAL FUNDS.—Subject to sub-
11 section (i), nothing in this subsection commits the
12 Federal Government to provide any funds for the
13 payment of any obligation of the Center.

14 (4) CUSTOMARY POWERS.—To carry out this
15 subsection, the Center shall have the customary pow-
16 ers conferred on a nonprofit corporation by applica-
17 ble laws (including regulations) of the State where
18 the Center is incorporated, except that the Center
19 shall not own or operate any tobacco-related inter-
20 est.

21 (g) ANNUAL REPORT.—

22 (1) IN GENERAL.—Not later than May 15 of
23 each year, the Center shall submit an annual report
24 for the preceding fiscal year ending September 30 to
25 the President for transmittal to Congress.

1 (2) CONTENTS.—The report shall include—

2 (A) a comprehensive and detailed report of
3 the operations, activities, financial condition,
4 and accomplishments of the Center under this
5 section and such recommendations as the Cen-
6 ter considers appropriate; and

7 (B) a listing of each organization that re-
8 ceives a grant from the Center and the purpose
9 and amount of each grant.

10 (3) CONGRESSIONAL TESTIMONY.—An officer
11 or employee of the Center shall be available to tes-
12 tify before an appropriate committee of Congress
13 with respect to—

14 (A) the report required under paragraph
15 (1);

16 (B) the report of any audit made by the
17 Comptroller General of the United States pur-
18 suant to this section; or

19 (C) any other matter that the committee
20 may determine.

21 (h) FINANCIAL MANAGEMENT AND RECORDS.—

22 (1) INDEPENDENT ANNUAL AUDITS.—

23 (A) IN GENERAL.—The accounts of the
24 Center shall be audited annually in accordance
25 with generally accepted auditing standards by 1

1 or more independent certified public account-
2 ants or independent licensed public accountants
3 certified or licensed by a regulatory authority of
4 a State or political subdivision of a State.

5 (B) LOCATION.—The audit shall be con-
6 ducted at the 1 or more places where the ac-
7 counts of the Center are normally kept.

8 (C) INFORMATION AND FACILITIES.—The
9 1 or more persons conducting the audit shall—

10 (i) have access to all books, accounts,
11 records, reports, files, and other papers,
12 things, or property belonging to or in use
13 by the Center and necessary to facilitate
14 the audit, which shall remain in the pos-
15 session and custody of the Center; and

16 (ii) be provided full facilities for
17 verifying transactions with the balances or
18 securities held by depositories, fiscal
19 agents, and custodians.

20 (D) ANNUAL REPORT.—The report of each
21 independent audit conducted under this para-
22 graph shall be included in the annual report re-
23 quired by subsection (g)(1).

24 (E) CONTENTS.—The audit report shall—

1 (i) provide a description of the scope
2 of the audit;

3 (ii) include such statements as are
4 necessary to analyze the assets and liabil-
5 ities (including any surplus or deficit) of
6 the Center, with an analysis of the changes
7 in the assets, liabilities, and expenses dur-
8 ing the applicable year; and

9 (iii) provide a statement of the
10 sources and application of funds, together
11 with the opinion of the independent audi-
12 tor of the statement.

13 (2) AUDITS BY GENERAL ACCOUNTING OF-
14 FICE.—

15 (A) IN GENERAL.—The financial trans-
16 actions of the Center for any fiscal year during
17 which Federal funds are available to finance
18 any portion of the operations of the Center may
19 be audited by the General Accounting Office in
20 accordance with the principles and procedures
21 applicable to commercial corporate transactions
22 and under such rules and regulations as may be
23 prescribed by the Comptroller General of the
24 United States.

1 (B) LOCATION.—The audit shall be con-
2 ducted at the 1 or more places where accounts
3 of the Center are normally kept.

4 (C) INFORMATION AND FACILITIES.—The
5 representatives of the General Accounting Of-
6 fice conducting the audit shall—

7 (i) have access to all books, accounts,
8 records, reports, files, and other papers,
9 things, or property belonging to or in use
10 by the Center and necessary to facilitate
11 the audit, which shall remain in the pos-
12 session and custody of the Center; and

13 (ii) be provided full facilities for
14 verifying transactions with the balances or
15 securities held by depositories, fiscal
16 agents, and custodians.

17 (D) REPORT.—

18 (i) IN GENERAL.—A report of each
19 audit conducted under this paragraph shall
20 be made by the Comptroller General to
21 Congress.

22 (ii) CONTENTS.—The report shall
23 contain—

24 (I) such comments and informa-
25 tion as the Comptroller General deter-

1 mines necessary to inform Congress of
2 the financial operations and condition
3 of the Center;

4 (II) such recommendations with
5 respect to the operations and condi-
6 tion as the Comptroller General may
7 consider advisable; and

8 (III) a description of any pro-
9 gram, expenditure, or other financial
10 transaction or undertaking observed
11 in the course of the audit, that, in the
12 opinion of the Comptroller General,
13 has been carried on or made without
14 authority of law.

15 (iii) COPIES.—At the time the report
16 is submitted to Congress, a copy of the re-
17 port shall be furnished to the President,
18 the Secretary, and the Center.

19 (3) ACCOUNTING.—

20 (A) IN GENERAL.—Not later than 1 year
21 after the date of enactment of this section, in
22 consultation with the Comptroller General and
23 other appropriate persons, the Center shall de-
24 velop accounting principles that shall be used
25 uniformly by all individuals and entities receiv-

1 ing funds under this section, taking into ac-
 2 count organizational differences among various
 3 categories of the individuals and entities.

4 (B) SCOPE.—The principles shall cover all
 5 funds received and expended by the individuals
 6 or entities under this section.

7 (C) REQUIREMENTS.—Each individual and
 8 entity receiving funds under this section shall
 9 be required—

10 (i) to keep its books, records, and ac-
 11 counts in such form as may be required by
 12 the Center;

13 (ii)(I) to undergo a biennial audit by
 14 independent certified public accountants or
 15 independent licensed public accountants
 16 certified or licensed by a regulatory au-
 17 thority of a State, which audit shall be in
 18 accordance with auditing standards devel-
 19 oped by the Center; or

20 (II) to submit a financial statement in
 21 lieu of the audit required by subclause (I)
 22 if the Center determines that the cost of
 23 the audit imposed on the individual or en-
 24 tity is excessive in light of the financial
 25 condition of the individual or entity; and

1 (iii) to furnish biennially to the
2 Center—

3 (I) a copy of the audit report re-
4 quired under clause (ii); and

5 (II) such other information re-
6 garding finances (including an annual
7 financial report) as the Center may
8 require.

9 (D) MAINTENANCE OF RECORDS BY RE-
10 CIPIENTS.—Any recipient of assistance by grant
11 under this section shall keep—

12 (i) such records as may be reasonably
13 necessary to disclose fully—

14 (I) the amount and the disposi-
15 tion by the recipient of the assistance;

16 (II) the total cost of the project
17 or undertaking in connection with
18 which the assistance is given or used;
19 and

20 (III) the amount and nature of
21 that portion of the cost of the project
22 or undertaking supplied by other
23 sources; and

24 (ii) such other records as will facili-
25 tate an effective audit.

1 (E) ACCESS TO RECIPIENT RECORDS.—

2 (i) CENTER.—The Center (including
3 an authorized representative) shall have
4 access to any books, documents, papers,
5 and records of any recipient of assistance
6 for the purpose of auditing and examining
7 all funds received or expended by the re-
8 cipient under this section.

9 (ii) COMPTROLLER GENERAL.—The
10 Comptroller General of the United States
11 (including an authorized representative)
12 shall have access to such books, docu-
13 ments, papers, and records for the purpose
14 of auditing and examining all funds re-
15 ceived or expended under this section dur-
16 ing any fiscal year for which Federal funds
17 are available to the Center.

18 (4) PUBLIC ACCESS.—

19 (A) IN GENERAL.—The Center shall main-
20 tain the information described in subparagraphs
21 (C), (D), and (E) of paragraph (3) at the of-
22 fices of the Center for public inspection and
23 copying for at least 3 years, according to such
24 reasonable guidelines as the Center may issue.

1 (B) UPDATES.—The Center shall regularly
2 update the information.

3 (C) APPLICABILITY.—This paragraph shall
4 apply to all assistance provided under this sec-
5 tion after the date of enactment of this Act.

6 (i) FUNDING.—

7 (1) MANDATORY FUNDING.—Of the amounts
8 made available under section 380k(c) of the Agricul-
9 tural Adjustment Act of 1938 (as added by section
10 112), the Secretary shall transfer to the Center to
11 carry out this section not less than \$5,000,000 for
12 each of fiscal years 2003 through 2007.

13 (2) DISCRETIONARY FUNDING.—There is au-
14 thorized to be appropriated to the Center for fiscal
15 year 2008 and each subsequent fiscal year such
16 sums as are necessary to carry out this section.

17 (3) AVAILABILITY.—Funds appropriated under
18 this subsection shall remain available until expended.

19 (4) DISTRIBUTION.—Funds made available
20 under this subsection shall be disbursed by the Sec-
21 retary on a fiscal year basis.

22 (5) ANNUAL BUDGET.—The Center shall estab-
23 lish an annual budget for use in allocating amounts
24 made available to the Center under this subsection.

1 (6) USE.—The Center shall use funds made
 2 available under this subsection, to the maximum ex-
 3 tent practicable, to provide grants and technical as-
 4 sistance in accordance with this section.

5 **SEC. 402. TOBACCO GROWER ADVISORY BOARD.**

6 (a) ESTABLISHMENT.—There is established, within
 7 the Department of Agriculture, a Tobacco Grower Advi-
 8 sory Board.

9 (b) MEMBERSHIP.—

10 (1) IN GENERAL.—The Advisory Board shall
 11 consist of 15 members appointed by the Secretary
 12 from a list of nominees submitted to groups and or-
 13 ganizations that represent active grower of Burley or
 14 Flue-cured tobacco.

15 (2) QUALIFICATIONS.—

16 (A) IN GENERAL.—A member of the Advi-
 17 sory Board shall be an active grower of Burley
 18 or Flue-cured tobacco.

19 (B) POLITICAL PARTY.—Of the members
 20 appointed by the Secretary under paragraph
 21 (1), not more than 8 of the members may be
 22 members of the same political party.

23 (3) TERM.—A member of the Advisory shall
 24 serve for a term determined by the Secretary at the
 25 time of appointment.

1 (4) COMPENSATION.—A member of the Advi-
2 sory Board shall receive no compensation for the
3 service of the member on the Advisory Board, other
4 than reimbursement for per diem and travel-related
5 expenses.

6 (c) DUTIES.—The Advisory Board shall advise Fed-
7 eral agencies on the economic and technical feasibility of
8 actions that the agencies are considering regarding to-
9 bacco production and product control.

10 (d) AGENCIES.—The Secretary of Agriculture, the
11 Administrator of the Environmental Protection Agency,
12 the Commissioner of Food and Drugs, the United States
13 Trade Representative, and the heads of other agencies
14 with responsibilities related to tobacco production and
15 product control shall ensure that mechanisms are in place
16 for the Advisory Board to provide its advice and assistance
17 regarding actions described in subsection (c).

18 (e) FEDERAL ADVISORY COMMITTEE ACT.—The
19 Federal Advisory Committee Act (5 U.S.C. App) shall not
20 apply to the Advisory Board.

21 **SEC. 403. INTERAGENCY TASK FORCE ON ECONOMIC DE-**
22 **VELOPMENT.**

23 (a) ESTABLISHMENT.—In order to maximize the eco-
24 nomic development assistance provided by the Federal
25 Government and to assist communities transitioning from

1 tobacco-based economies, the President shall establish
2 within the Executive Branch an Interagency Task Force
3 on Tobacco-Dependent Communities.

4 (b) MEMBERSHIP.—The Task Force shall consist of
5 representatives from—

6 (1) the Department of Agriculture;

7 (2) the Department of Health and Human
8 Services;

9 (3) the Department of Commerce; and

10 (4) such other agencies as the President deter-
11 mines appropriate.

12 (c) DUTIES.—The Task Force shall be responsible for
13 coordinating and identifying Federal economic and busi-
14 ness development program grants and loans that might
15 be made available to communities to assist in the transi-
16 tion of the communities from tobacco-based economies.

17 (d) COORDINATION.—The Task Force shall be co-
18 ordinated by the Under Secretary for Rural Economic and
19 Community Development of the Department of Agri-
20 culture.

21 (e) CONSULTATION.—The Task Force shall consult
22 with the Board of Directors of the Center for Tobacco-
23 Dependent Communities established under section 401.

1 **SEC. 404. REPORT ON MARKETING INCENTIVES.**

2 Not later than 180 days after the date of enactment
3 of this Act, the Secretary of Agriculture and the Secretary
4 of the Treasury shall submit to the appropriate commit-
5 tees of Congress a report that describes market-based
6 means by which recipients may use payments received
7 under the tobacco equity reduction program established
8 under section 380j of the Agricultural Adjustment Act of
9 1938 (as added by section 111) to create or enter new
10 businesses that will promote economic activity and gen-
11 erate revenue in tobacco-dependent communities, regard-
12 less of whether the businesses are farm related.

13 **SEC. 405. REPORT ON STABILIZATION OF TOBACCO PRO-**
14 **DUCTION OPPORTUNITIES.**

15 Not later than 1 year after the date of enactment
16 of this Act, the Secretary of Agriculture shall submit to
17 the appropriate committees of Congress a report con-
18 taining recommendations for actions—

19 (1) to ensure continued production of tobacco in
20 areas that produce tobacco on the date of enactment
21 of this Act;

22 (2) to provide additional opportunity for per-
23 sons to begin to produce tobacco;

24 (3) to provide more equitable treatment of ac-
25 tive growers;

1 (4) to reduce speculation regarding the quantity
2 of tobacco that is likely to be produced; and
3 (5) to provide greater certainty and stability in
4 tobacco marketing.

5 **SEC. 406. REPORT ON TAXATION IMPACT.**

6 (a) IN GENERAL.—Not later than 180 days after the
7 date of enactment of this Act, the Secretary of Agri-
8 culture, in consultation with the Secretary of the Treas-
9 ury, shall submit to the appropriate committees of Con-
10 gress a report on various investment strategies for pay-
11 ments received under this Act and the amendments made
12 by this Act to lessen the tax impact of the payments.

13 (b) STRATEGIES.—The strategies may include—

- 14 (1) retirement plans;
15 (2) tax incentives for reinvestment into tobacco-
16 dependent communities; and
17 (3) allowing the payments to receive capital
18 gains treatment under the Internal Revenue Code of
19 1986.

20 **TITLE V—ADMINISTRATION**

21 **SEC. 501. MARKETING YEARS.**

22 Except as otherwise provided in this Act, this Act and
23 the amendments made by this Act apply beginning with

- 1 the marketing year for the 2004 crop of each kind of to-
- 2 bacco.

